

Newsletter issue 9 – October 2006

The 9th issue of 'Economics Research' contains articles on the effect of immigration on the wages of Cypriot workers, the degree of economic integration in the enlarged European Union, long-term forecasts of electricity use in Cyprus and discrepancies between official unemployment statistics for Cyprus.

Using data from the Cypriot Family Expenditure Surveys, it was examined how the increase in immigration affected the wages of Cypriot workers. We find that immigration had a slightly negative effect on overall real wage growth. However, the impact on the real wage growth of workers with primary and secondary education only was large and negative while that of workers with higher education increased significantly as a result of immigration.

The degree of economic integration between Cyprus, the old members of the European Union and the new EU Member States was investigated by looking at the convergence of inflation rates and long term interest rates for the above groups of countries using novel econometric techniques. Results suggest stronger convergence with regard to inflation rates and a weaker convergence with regard to long term interest rates.

Electricity forecasts are valuable for long-term policy planning, particularly in an island like Cyprus without any electricity interconnection with other countries. Based on econometric analysis, a long-term forecast of electricity consumption up to the year 2030 was performed. According to the results, if past trends continue and no serious energy conservation policies are implemented, electricity use in Cyprus is expected to triple in the coming 25 years. Fluctuations of crude oil prices are projected to have a small influence, possibly changing electricity consumption by $\pm 10\%$ only.

The three existing official statistics that measure the unemployment rate in Cyprus were compared. These statistical data sets are: the Registered Unemployment rate, Harmonized Unemployment and the unemployment rate obtained from the Labour Force Survey of Cyprus. Initial results from the study show that the Registered Unemployment rate is influenced from the seasonality of the labour market, and its value is lower than those of the other two variables, which are closely related to each other.